

Japan - Philippines - Australia
Strategic Dialogue

Manila
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The Institute
for Regional
Security



Japan + Philippines + Australia

The interests of Japan, the Philippines and Australia coalesce in addressing the challenges China poses militarily, economically, and politically, and in managing US engagement, in the Indo-Pacific.

There should be joint and increasingly unified geo-economic, geo-strategic, and geo-political policies, strategies, and programs between Japan, the Philippines and Australia to meet challenges from China and to manage US engagement.

A recent Track 2 Strategic Dialogue involving representatives from the three countries found that to strengthen and formalise cooperation between Japan, the Philippines and Australia, should establish an annual Track 1.5 Strategic Dialogue involving officials from each country, commencing in Canberra in September 2025, and then rotating to Manila and Tokyo in the subsequent two years.

This document is a report based on that Dialogue, providing background to consensus points on issues of defence and economic security, and to the conclusion and recommendation of a Track 1.5 Trilateral Dialogue.

Strategic Challenges

Japan, the Philippines, and Australia share three key security challenges:

1. Geo-strategic: The ability and will to balance and deter the military power of the increasingly dominant and assertive regional power of China – most urgently in the maritime domain.
2. Geo-economic: The ability to pursue economic development in free and open regional and international markets. Geo-economic policy involves the use of economic power to achieve geo-strategic or geo-political objectives.

Key Facts		
	Population	GDP
Japan	125M	US\$6.408 trillion
Philippines	118M	US\$1.327 trillion
Australia	27M	US\$1.708 trillion
Combined	270M	US\$9.443 trillion
2024 combined annual defence spend →		US\$109 billion
China 2024 annual defence spend →		US\$373 billion
Potential combined per annum defence spend at 3% of GDP →		US\$283 billion

3. Geo-political: The ability and will to engage with, and prevail against, China in the political/narrative/ cognitive spheres in the defence of the political values and systems of the three countries.

In addressing these challenges, the three countries have determined that collective security arrangements are necessary (see next section), and, regarding the concern on balancing military power, have determined that their security must be underpinned by US engagement and extended deterrence.

Given the evolving politics in the US, an additional concern for the three countries must also address any developing consensus views within the US government regarding the need for greater investment in defence self-reliance by allies and the need for protectionism in the US economy.

Current Security Relationships

Currently Australia-Japan relations are at a 'Special Strategic Partnership' level, re-affirmed in a Joint Declaration on Security Cooperation in 2022 and there is a Reciprocal Access Agreement for the countries' defence forces in place since 2023. Australia and Japan have had a Japan-Australia Economic Partnership Agreement in place since 2014.

Japan and the Philippines have very recently entered into a reciprocal access agreement. An agreement for Economic Partnership has been in place since 2006.

Australia has a Status of Visiting Forces Agreement with the Philippines, has lifted its relationship to 'Strategic Partnership' level, and has recently signed a Memorandum of Understanding covering, inter alia, Enhanced Maritime Cooperation. This heightened level of engagement has seen Australia undertake joint air and sea patrols with the Philippines in the South China Sea. The Philippines was included in an ASEAN Review in Australia in 2023 identifying agriculture, education, mining, and renewable energy as areas for potential growth.

Australia and Japan have joined the US in joint naval patrols with the Philippines in the South China Sea in 2024.

The three countries each have a mutual defence agreement with the US, arguably involving each in responding to any attack on US forces defending its other ally(ies).

Key Recent Policy/Legislative Actions

Key defence policy developments in the three countries include:

- The *2022 National Security Strategy, National Defence Strategy, and the Defence Build-Up Program, and 2022 Economic Security Promotion Act*, in Japan.
- The *National Security Policy (2023-28), 2024 Self-Reliance Defence Posture Program in the Philippines, and 2024 Comprehensive Archipelagic Defence Concept*.

- The *2024 National Defence Strategy and 2024 Defence Industry Development Strategy in Australia*.

Economic Diplomacy & Governance

Each country is a member of Asia-Pacific Economic Cooperation (APEC) and of Regional Comprehensive Economic Partnership (RCEP), and each was a founding member of the Indo-Pacific Economic Framework for Prosperity (IPEF), although the status of the latter must now be in doubt under the current US administration.

Japan has also been the leading voice internationally for the concept of a Free and Open Indo-Pacific (FOIP) and, more recently, Free and Open International Order (FOIO).

Immediate and Emerging Threats

Japan faces maritime challenges from China over the Senkaku Islands to its south and from Russia over the Kuril Islands to its north.

The Philippines faces maritime hybrid warfare in the West Philippine and South China Seas, with risk of kinetic escalation currently around the Second Thomas, Scarborough, and Sabina Shoals. It also faces significant subversion of both its economy and political system.

Australia faces no immediate territorial challenges, although there is potential for challenges arising from growing Chinese presence in Antarctica.

All three countries face involvement in war against China should it blockade or invade Taiwan.

Japan (and East Asia generally) faces a heightened security threat from an emerging China-Russia-North Korean axis. All three countries, and all other countries in the region, face the threat of a nuclear armed North Korea. All three countries face ongoing cyber-attacks and political warfare programs.

Dialogue Discussion & Conclusions

1. Introduction

The inaugural Japan-Philippines-Australia (JPA) Strategic Dialogue (Track 2) was held in Manila on 17-18 February 2025. Participants in the Dialogue included former government officials from the three nations as well as political, security and economic policy experts and commentators (Appendix A).

The objective of the dialogue was to identify policy issues and initial recommendations to address shared geo-economic, geo-strategic, and geo-political security challenges for consideration by government decision makers in each country.

This report draws on Dialogue presentations and discussions. It does not represent the view of any one individual, nor does it purport to represent the official assessments or current policy of the governments of the three countries.

The Dialogue was structured into four thematic sessions of presentations and discussion: strategic context; defence (including defence industry); economic security; and participant conclusions and recommendations.

2. Strategic Context

The Dialogue's opening presentation emphasised increasing volatility, uncertainty, complexity and ambiguity in the three countries' strategic environment and interests.

Key elements identified in opening presentations included:

- The challenge to a rules-based international order reflected in the rejection of arbitrated resolution of disputes in the South China Sea under UNCLOS, and use of coercive 'grey zone'¹ action in its stead, by China. In the months prior to the Dialogue, each country had faced grey zone action by China: the Philippines in the West Philippine Sea; Japan in waters around the Senkaku Islands; and Australia in international air space over the South China Sea.
- Internal to each of the three countries: differences in government policy and focus across different administrations, political division and volatility in electorates, and uncertain, reactive, or discontinuous political leadership. Complexity combined with ambiguity in the problems facing states, fragmentation and degradation of public discourse by modern media, and inability to chart unified programs by political elites (i.e. government leaders and ministers, other political parties/individuals and political think tanks / commentators) have made democracies less stable and vulnerable to political warfare from adversaries such as China, Russia, and North Korea.
- In addition to military threats and political warfare, the broadening of security concerns and analysis to include the element of economic security. In the preceding decade, Japan, the Philippines and Australia have all experienced the use of trade measures by China as a coercive tool and significant influence operations by China in their civic and electoral spheres.

[1] 'Grey Zone' action in this report refers to the use of coercion and/or force in a way that does not clearly involve a breach of the proscription of the threat or use of force against the territorial integrity or political independence of any state under Article 2.4 of the UN Charter.

- The election of the Trump administration in the US, and uncertainty around both its economic and trade policies and its security commitments to allies and partners, was seen as an additional element in the strategic environment in 2025.

Underpinning each of these elements was the rise of China as a military and economic power and the actions it is taking to displace the US as the preeminent power and to re-shape the region in terms of territorial boundaries and the rules governing interstate relations.

An additional theme in the opening presentations was the need for Japan, the Philippines and Australia to be proactive in addressing the strategic threats faced by an increasingly more assertive China in the pursuit of its interests. Key actions include:

- Moving from reactivity in the face of grey zone action by taking multi-faceted offensive initiatives – military, economic and diplomatic – and including action in the ‘grey zone’ itself. A sub-element in this regard was the likely pressure from the new Trump administration for regional allies and partners to assume greater responsibility for their defence, including through increased defence spending.
- Incorporating into deterrence of Chinese aggression a policy that military action against Taiwan would see the review of the ‘One China’ position shared by the three countries and, in extremis, its rescission.
- Strategic communications within the three countries and across the region, including not just information on the nature of the challenges being faced but continuous promotion of narrative around the core democratic values, and benefits the three countries shared.
- Developing economic strategies in areas such as foreign investment, trade relations, and targeted foreign development assistance.
- Developing and formalising a Japan-Philippines-Australia trilateral relationship and implementing applicable joint security and defence strategy and policies.

3. Defence

Second session presentations covered Japan’s defence assessments and policies; the nature of the military threats the Philippines faced and possible joint efforts to address those threats; how China understood and operationalised deterrence; and defence industry, with specific discussion on shipbuilding.

Key points from the presentations and discussions included:

- The massive and rapid growth, modernisation, and increase in operational reach of China’s armed forces.
- The significant increase in joint Chinese-Russian naval and air operations in the region.
- The increase in North Korea’s nuclear weapon capabilities, as expressed in nuclear testing and ballistic missile launches into the region.
- China’s use of all forms of national power to promote its interests, to force acceptance of its territorial claims – in this Dialogue, those involving the Senkaku Islands, South China Sea and West Philippine Sea of most interest – and to re-order regional and international relations.
- China’s efforts to:
 - ▶ Establish shipbuilding capabilities and capacity to match and eclipse US naval power.
 - ▶ Use its Belt and Road Initiative (BRI) to access and control ports across the Indo-Pacific.
 - ▶ Establish strategic depth through control of the South China Sea, up into the Arctic, and out into the South Pacific and the Indian Ocean.
- The need to comprehend China’s understanding and use of deterrence to include ‘compellence’ through use of force or its threat.
- The risk of the Chinese Communist Party using military force to incorporate Taiwan into the People’s Republic of China; the possibility of US military support for Taiwan; and the likelihood that Japan, the Philippines and Australia would be involved in any ensuing military conflict.

Whilst there was agreement that each country would continue to see security cooperation with and extended deterrence from the US as essential to meeting the challenges China posed, there was also agreement on the urgent need for greater defence self-reliance and trilateral cooperation in addressing those challenges.

Focal points for investment in such self-reliance and cooperation included:

- Stand-off defence capabilities.
- Integrated air and missile defence.
- Uncrewed defence platforms and weapons.
- Joint command, control, communications and intelligence, surveillance, reconnaissance and targeting, including through further and expedited development of 'fusion centre' arrangements in the Philippines.
- Joint exercises, and joint air and surface patrols and action groups, both to deter and to secure key sea lanes of communication, with harmonised Rules of Engagement.
- Defence industry cooperation in the areas of production, supply chains, and war-time mobilisation and sustainment. Particular areas of focus noted were:
 - ▶ joint shipbuilding, and
 - ▶ joint development of advanced technologies and, urgently, of uncrewed and autonomous weapon systems.

4. Economic Security

Third session presentations covered:

- Japan's legal and policy framework for economic security, with insights on engagement with and the role of the private sector in implementing related policies.
- The need and challenges of intelligence in geo-economic competition.

- China's penetration and in some cases strategic dominance in supply chains.
- The potential impact of the use of economic coercion, with the Philippines as a case study in terms of food security and tourism.

As noted earlier in this report, Japan, the Philippines and Australia have all experienced exploitation of trade dependence and economic coercion by China. All three countries differ in the manner and extent to which they formally manage economic security as a policy issue, in their regulatory systems and operations, and in terms of intelligence gathering and analysis. Two key matters for policy consideration arising from the presentations and discussions were:

- The need to engage the private sector in policy development, regulatory reform and intelligence matters.
- The need for the three countries to strengthen and align policies, systems, and operations, not least by identifying lead agencies and equipping them with the remit and powers to establish and sustain collaboration.

In exploring the issue of supply chain vulnerability as a key aspect of economic security, the Dialogue was provided with data suggesting that China had become the 'OPEC of industrial inputs'. By analysing value and supply chains down to base component level (i.e. upstream inputs), dependence on or vulnerability to China became clear. In a case study on chemical industries Chinese content was assessed to be over 50%.

The key issue arising, however, in the Dialogue discussions on supply chains, and linked to the question of intelligence for economic security, was the need for digitisation of trade documentation. Such digitisation would not only provide significant efficiencies for business but enable country of origin/ownership analysis by governments. Such analysis, in turn, would inform decisions on trade diversification and industry protection strategies.

Each of the three countries faces vulnerability to economic coercion due to trade dependence on China. The potential for such dependence to be used for coercion was made clear in data presented on the Philippines, where in extreme conflict with China involving a 50-75% reduction in trade, the Philippines would experience a reduction in its GDP between 1.5-4%, see inflation rise between 1.5-5.5%, see trade volumes drop by between US\$20-30 billion, and lose between 880,000-1.3 million jobs.

Two specific areas of vulnerability – food security and tourism – were also the subject of presentation and discussion. Key policy issues identified included:

- Supply chain diversification.
- Protection, sustainable management, and security of fisheries and marine resources.
- Fertilizer as a critical input for food security, and potential for collaboration in fertilizer production.
- The potential for enhanced research and advanced technology cooperation in food production and certification.
- The potential for coordinated tourism marketing campaigns, including to address instances where tourism is the subject of sudden restrictions as an instrument of economic coercion.

In discussion on areas of potential advantage and complementarity in strategies both for economic growth and for diversification away from trade dependence on China, key resources and industries were identified as minerals (and especially critical minerals), both mining and processing, and electronics.

5. Taking Action

The final session of the Dialogue involved facilitated articulation of consensus points and of recommendations.

The primary and overriding point of agreement and recommendation were that an annual Track 1.5 Strategic Dialogue involving officials from each country should be established, commencing in Canberra in September 2025, and then rotating to Manila and Tokyo in the subsequent two years.

- Strategic communication with the public in each country and across the region to counter Chinese narratives and influence.
- Proactive and assertive strategy and tactics in the 'grey zone' of competition and contestation with, and deterrence of, China, including in the South China, West Philippine, and East China Seas.
- Mapping and exploitation of economic comparative advantage and complementarity.
- Joint industry development in key sectors including:
 - ▶ Defence industry.
 - ▶ Electronics.
 - ▶ Fertilizer production.
 - ▶ Minerals and mining.
- A shared strategy for food security, including during a major conflict.
- Coordinated efforts to lessen supply chain dependence on and vulnerability to China.
- Identification of lead agencies for, and coordination of, economic security policies, strategy, and intelligence.
- Coordinated diplomacy within international bodies.

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8/16 National Circuit
Barton. ACT
Australia

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